

**EMPLOYEES' PERCEPTION ON THE EFFECTIVENESS
OF PERFORMANCE APPRAISAL SYSTEM**

By

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**Thesis Submitted in Partial Fulfilment of the Requirements for the
Degree of Master of Business Administration in the
Centre Graduate School
Open University Malaysia**

August 2005

LETTER OF TRANSMITAL

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Dear Sir,

SUBMISSION OF RESEARCH PROPOSAL

I am honoured to present you the research entitled "Employees' Perception on The Effectiveness of Performance Appraisal" for your kind of evaluation as required by the Centre of Graduate School, OUM.

Your kindness in accepting and reviewing this research proposal is highly appreciated.

Thank You.

Yours truly,

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DECLARATION

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I hereby declare that this project paper is the result of my own work, except for quotations and summaries which have been duly acknowledged.

Signature :

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ACKNOWLEDGEMENT

Syukur Alhamdulillah, all praise to Allah S.W.T, the sustainers of the world and may there be HIS blessing to all messengers, the prophet Muhammad A.A.W. and his family, Companions, followers and the believers till the end of time. I am deeply relieved and thankful that this research paper has finally been completed.

I would like to acknowledge the Creator of my good self for giving me the inner strength, knowledge, skills and good health for me to complete this project paper.

First and foremost, my deepest and highest gratitude goes to both of my parents, Encik Zahi Ruddin Abdul Salim and Puan Maimun Mohd Noor for giving me all the support and encouragement in completing this paper. Thanks you for everything.

My second thanks goes to my thesis supervisor, Assoc. Prof. Dr Raduan Che Rose and Prof. Dr Zabid for their patience, guidance and support throughout the completion of this research paper. Their guidance has actually helped me in producing a good paperwork that is beyond my capabilities. Beside that, their constant criticisms and brilliant ideas have helped me in making this paperwork to be a result with good quality.

In addition, I would like to express my gratitude to Awana Kijal Golf, Beach & Spa Resort staffs who have help me in completing this research paper by giving guidance, support and information that I really need during the completion of this research paper. To all those that have helped me in distributing the questionnaires, thank you so much.

Last but not least, I would like to extend my thanks to Mohd Taufik Kamis, my colleagues, lecturers and any individuals who have helped me whether directly in making this project paper to be successful. Thanks to all for everything, I wish all of you the best in whatever that you do and remember that I hop this paper may contribute to Awana Kijal Golf, Beach & Spa Resort and hope this research paper will be tremendous help for the future researchers.

Thank you,

Zafinaz Zahi Ruddin
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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

1.1 Background

"Maximizing performance is a priority for most organizations today" (Bob Cardy,1997). Employees' job performance is an important issue for all employers. However, satisfactory performance does not happen automatically; therefore, it is more likely with a good performance management system. A performance management system consists of the process used to identify, encourage, measure, evaluate, improve and reward employee performance at work.

Performance appraisal (PA) is the process of evaluating how well employees perform their jobs when compared to set of standards and then communicating that information to those employees. Such appraisal also has been called employee rating, employee evaluation, performance review, performance evaluation and results appraisal.

Performance appraisal sounds simple enough; and research shows that it is widely used for administering wages and salaries, giving performance feedback, and identifying individual employee strengths and weaknesses.

For situations in which an employer deals with a strong union, performance appraisals are usually conducted only on the salaried, nonunion employees. Generally, unions emphasize seniority over merit, which precludes the use of performance appraisal. Because unions officially view all members as equal in ability, the worker with the most experience is considered the most qualified and a performance appraisal is unnecessary.

Performance appraisal often is many managers' least-favored activity, and there may be good reasons for that feeling. Not all performance appraisals are positive and discussing ratings with poorly performing employees may be not pleasant. Also, it may be difficult to differentiate among employees if sufficient performance data are not available. Further, some supervisors are uncomfortable "playing God" with employees' raises and careers, which they may feel is a result of conducting performance appraisal.

Performance appraisal has two general uses in organization and these roles often are potential conflicts. One role is to measure performance for the purpose of rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might hinge on these ratings, often making them difficult for managers to do. Another role is development of individual potential. In that role, is often

different. Emphasis is on identifying potential and planning employees' growth opportunities and direction.

Performance appraisal (PA) is much talked-about issue and a very much-dreaded thing to many managers and employees alike yet organizations cannot do without it. Researchers and experts in PA have suggested two broad uses of appraisal in organizations (McGregor, 1997; Wexley, 1991). First, it serves administrative purposes in areas like reward allocations (salary increases, bonuses) and assignment decisions (promotions, transfers, demotions). Second, it aids in employees' development as it makes possible the identification of their strengths and weaknesses, provides performance feedback and facilitates communication between supervisors and employees.

Most employees are extremely wary of PA and view it negatively and anxiously except perhaps for a small number of outstanding contributors who are extremely secure in their capabilities and a similar small number of poor performers who are indifferent or feel they can beat any appraisal process. Their fears are not without basis; in fact they perceive the biases lie in rater's subjectivity. The rater may not measure his or her performance on the actual behaviors demonstrated and results achieved during the rating period, but instead use a variety of subjective biases to rate performance. In other words, the actual rating may be based more on the gender, race, national origin, age or religion of the ratee or on

performance in some past appraisal period or even on physical or psychological makeup. In addition, some inconsequential behavior or result could unfairly color a more representative set of contributions.

These fears relating to unfair, highly subjective ratings receive significant reinforcement when the ratee that their supervisor or superior does not know the requirements of the ratee's job and standards to measure job performance. Their ignorance could stem from having no opportunity to observe many of the tasks performed or see the results achieved and no feedback given to the ratee of what is expected of anyone performing that job. Also a past rating can become etched indelibly in the mind of a rater and unfairly influence all future ratings.(Tziner,2000).

The rating problem becomes magnified when the unacceptability of being "average" is analyzed. The word "average" when describing performance has a negative connotation to many people. In this respect, "average" actually means "mediocre", or less than acceptable. We, humans have the almost universal desire to be "number one" compared to the terrible connotation of being rated just "average". In any work situation, there is a "number one contribution" or a small group whose performance exceeds that of the others. Hence it is highly unlikely that all those being measured are given equal ratings. In any case, many still question the justification of the rating when there is a wide disparity in the rewards and bonuses awarded especially among those in the "average"

group who score marginally close to high performers. How would you pacify an employee who scored 79 (thus categorized as an "average" performer) and it was grossly unhappy over a co-worker who scored an 80 and qualified as a high performer and enjoyed a much higher bonus and rewards? Thompson and Dalton (1990) reported about the dysfunctional effects of appraisal feedback ratings. They found widespread dissatisfaction and lowered individual self-confidence and job performance. They noted that the signals a ratee receives have a strong impact on his self-esteem and subsequent performance.

The impact of being rated "below average" could have an even more damaging effect on the employee and his subsequent performance. Meyer (1995) suggested that employees given "below average" merits ratings become alienated and demoralized. The reason of being that most employees are considers their own work performance to be "above average".

Ironically, on the other side of the coin, many employees fear the physical and emotional abuse that may occur because of performance ratings. Undoubtedly, the great majority wants their contributions recognized, yet, there are many times when they do not want their peers or coworkers to know how they have been rated or what they have contributed. These fears too are not unfounded; one is that of being labeled as a "rate buster", which allows management to set higher

performance requirements or goals for all other workers. The other is the effort of the good or exceptional worker may result in the loss of jobs or co-workers because improved work-unit output of the exceptional worker.

If the results of most formal appraisals become public knowledge when it is meant to be confidential, this may be perceived as a threat by the other co-workers who score on average. This may be perceived as a threat by the other co-workers. The situation might take a worse turn when the exceptional worker is being publicly acknowledged and awarded for his outstanding performance.

Another factor that may be seen as a threat is competition. Some high achievers or even those with specific goals may not want their peers or co-workers to know what or how well they are doing for they want to keep their co-workers' competitive feelings at a minimum.

Another issues relating to PA ratings concerns physical survival and future job security. Managers at the highest levels are principally responsible for the long-term growth and direction of the organization and they have the greatest mobility and opportunities to move into better jobs in other organizations. Normally, they are financially secured to protect themselves from some kind of job-related adversity. These individuals are hence most immune to the PA. In fact, they are often exempt from the formal PA because their performance is more related to long-term results

and most PA system are designed to measure short-term results. They also claim their jobs are so complex and the situations they are involved in vary so greatly that it is virtually impossible to describe their jobs, let alone measure their performance. Thus, the validity and usefulness of PA for these employees are highly questionable. This could account for their minimum commitment to the PA process.

On the hand, the lower-level managers, technical staff and operative employees have a limited view of what the organization's future offers to them, yet they are the ones who have the strongest ties to the organization. Performance ratings will directly influence their future lifestyles. To them, the future may mean the opportunity to seek a highly desired promotion, be accepted into any training program or even be excluded from the downsizing exercise. Thus if any past poor performance were to influence any decision regarding them, it could result in an adverse decision for the ratee. This concern with the future and lifetime employment by many mid-level and lower-level managers and operative employees has a direct bearing on their view of any PA system.

The concerns of the rate discussed above will not be complete without a mention of the major behavior-influencing forces that affect rater behaviors. Among them are: the desire to be accepted, concern with job security, self-protection, affiliation with those holding similar views or having similar qualities, selective perceptions and limitations due to lack

of prior education, training, experience and necessary skills; and time constraints. Common rater errors identified that contaminate performance ratings are central tendency, halo, horn, recency, spillover and status effects. Many managers too feel ambivalent about the conflicting roles they have to play: as counselor and evaluator. They dread having to “play God” when it comes to appraisal time.

If PA is so full of fallacies, then what is the point of doing it at all? The rater detests having to “play God”; the rate dreads the criticisms and the outcomes. PA is such a matter of routine and the forms literally gather dust in the personnel department until it is appraisal time again to seek out those long-forgotten forms and dust them. Perhaps it is good to rethink what Douglas McGregor (1995) in his highly influential article “An Uneasy Look at Performance Appraisal” suggested to rid PA system of its ills, the emphasis should shift from “appraisal” to “analysis”:

“This implies a more positive approach. No longer is the subordinate being examined by the superior so that his weaknesses may be determined; rather he is examining himself in order to define not only his weaknesses but also his strengths and potentials..... He becomes an active agent, not a passive “object”. He is no longer a pawn in a chess game called management development.”

1.2 Background of Awana Kijal Golf, Beach & Spa Resort

1.2.1 Resort World Berhad

When it comes to the Genting story, most Malaysians will recognize it as synonymous with the rise of namesake hill resort. Many though may not have truly appreciated the Herculean task involved in its construction and the vast army of resources and reserves mobilized to ensure what has proven today to be unprecedented success in resort development.

The idea of a hill resort chanced upon Tan Sri Lim amidst the crisp air of Cameron Highlands in 1964. He was then working on a hydro-electric power project at the popular hill resort, patronized mostly by British colonials seeking cool refuge from the tropical heat, when he foresaw a developed and prospering Malaysia of the future desiring a cool mountain holiday resort within the reach of all Malaysians.

A study of the maps and Kuala Lumpur's vicinity located the ideal site – the 1,800 metre Gunung Ulu Kali, just 58 km from Kuala Lumpur. The task seemed impossible.

Not for Tan Sri Lim. Against all odds, he went ahead with the colossal task of constructing a 25.5 km access road through the

dense tropical jungle and rugged terrain to transform a remote mountain into Malaysia's premier holiday destination.

Setting up a private company called Genting Highlands Berhad ("GHB") on 27th April 1965 with the late Tan Sri Haji Mohammed Noah bin Omar, Tan Sri Lim successfully obtained approval for the alienation of 12,000 acres and 2,800 acres of land from the Pahang and Selangor State Governments respectively between the years 1965 and 1970.

On 18th August 1965, technical and construction team began the mammoth task that would take all of four years to complete, the access road from Genting Sempah to the peak of Gunung Ulu Kali. To ensure the sound and prompt construction of the hotel-cum-resort, Tan Sri Lim devoted all of his time, capital and resources, including the reserves of his family company, Kien Huat Berhad, towards the making of his "dream resort".

In 1971, the Highlands Hotel (now renamed Theme Park Hotel) was successfully completed while Genting Berhad (formerly known as Genting Highlands Hotel Berhad), gained listings on both the stock exchanges in Malaysia and Singapore with a paid-up capital of RM10 million.

To cope with the rapidly increasing number of tourists, the Ria Hotel was completed in 1972, to be quickly followed by the completion of two more hotels in 1975, the Pelangi Hotel and the Sri Layang Hotel. The Resort's eagerly awaited premier hotel, the Genting Hotel was partially opened for business in 1978 and fully completed soon in 1981.

A multi-million ringgit project of such magnitude and remoteness would no doubt entail a substantial investment in vital infrastructure. Undaunted by the task, construction and expansion continued and one-million gallon reservoir as well as a five-storey were completed in 1982. The 132KV NEB bulk electricity sub-station and supply lines costing some RM10 million were connected to the National Grid System and commissioned in April 1984.

In addition to the original investments and development, the access road has been constantly upgraded and widened, such that today it can accommodate up to three lanes in each direction at certain stretches and the traveling time to Kuala Lumpur is reduced to within an hour. Another access road, the 18km Batang Kali Road stretching from 7th mile Genting Highlands Road to the North-South trunk road at Batang Kali was completed and opened to the public on 1st August 1993. A turnkey-contract agreement

was entered into between Genting Berhad and the Selangor State Government in May 1991 to construct the road and the extension at a cost of Rm56.5 million to which resort Worlds Berhad, donated Rm22.4 million. The roads at the Resorts are designed to the Road Transport Department’s specifications with all the necessary safety features and signs.

The growth of Genting Highlands Resort to its present size and popularity has been lauded as quite an unprecedented success. While its contributions to the nation and in particular to the tourism industry is well-recognized and recorded, the Resort’s success would not have been possible without the dedication and commitment of its employees, the unwavering support of its shareholders and the support and co-operation of the various authorities.

By middle of 1996, there will be more than 3,000 hotel rooms at the Genting Highlands Resort in addition to almost 1,700 apartment rooms. These are complemented by a host of wide-ranging recreational and amusement facilities, significantly redefining and revitalizing the primary appeal of the ever popular tourist destination.

In 1995, the Group extended its resort activities to the development of the Awana Kijal Beach & Resort in Terengganu, heralding a new direction and destination in leisure activities. Spreading over approximately 800 acres with a 3.5km beachfront, the resort will initially have a 300 room five-star hotel, the first in Terengganu, an 18-hole golf course, apartments and shops for sale or rent. When completed over a 15-year span, the resort will be the most comprehensive integrated development on the east coast of Peninsular Malaysia complete with water sports, themed recreational facilities and natural attractions indigenous to Terengganu.

Looking ahead, Resort World is gearing itself for further expansion into new frontiers of resort and leisure activities with the aim of broadening its earning base.

1.2.2 Awana Kijal Golf, Beach & Spa Resort

The Resort World Berhad, one of the successful local companies in Malaysia that performed good quality of management in hotel industry.

There have a lot of Sales and Reservations offices and the Central Reservations Services, which is located at Petaling Jaya,

Penang, Ipoh, Johor Bahru, Kuching, Singapore, Bangkok, Haadyai, Hong Kong (SAR) and Kuala Lumpur itself.

Others than office, there are also participated in hotel industry which is located in few places such as

Genting Highlands

- ☐ Genting Hotel
- ☐ Theme Park Hotel
- ☐ Resort Hotel

Hotel & Resorts

- ☐ Awana Genting Highlands Golf & Country Resort
- ☐ Awana Kijal Golf, Beach and Spa Resort
- ☐ Awana Porto Malai, Langkawi

All the above are controlled by the Resort World Berhad. Our group is choosing the Awana Kijal Golf, Beach and Spa Resort as our focus project specified in Human Resources Department only.

Awana Kijal Golf, Beach and Spa Resort had employed 450 employees with 15 departments since 1996.

The history of Kijal begin, once a laid-back fishing village, famous for its durians orchards and lemang now is drawing a different kind of crowd—golfers and holiday-makers looking for that five-star touch. Indeed, Terengganu is now more exciting with the ‘birth’ of the luxurious Awana Kijal Golf, Beach and Spa Resort

The Malay architecture with its impressive 80-foot atrium, the first of its kind in the country, features 368 rooms, all facing the South China Sea.

Its design allows visitors unobstructed view of the going-ons in the lobby. The view from the top is interestingly colorful while the view from bottom to the top of the atrium is simply awesome.

The resort, which opened its doors on July 28, 1996, is divided into three Wings, the North, South and Main Wings. The North and Main Wings offer standard rooms while the South Wing, the suites and the Presidential Suite.

Awana Kijal Golf, Beach and Spa Resort have no problems accommodating guests who want to throw in a bit of business in their holiday. Other guests services includes car

rental, currency exchange, lobby shops, baby sitting services, laundry and valet service, limousine service, a medical doctor on call, parcel/post service, photo service, tour desk for sight-seeing, ample parking space, safe deposit box, airport transfer, 24-hour security, sports shop and shoe shine service.

Awana Kijal Golf, Beach and Spa Resort unlike other resorts do not sell memberships. The resort has a scheme called Usage of Facilities. Anyone can use the facilities either on monthly basis, half a yearly or for one year. The individual golfing rate for apartment owners is RM1, 400 yearly, for non-hotel guests and walk-in guests it is RM2, 100.

Getting to Kijal is not difficult. Through Malaysian Airlines, travelers can fly to Kuantan from the world's major capitals and reach Kijal. There are also daily flights on Pelangi Air offering the quickest alternative route to Kijal via the Kerteh airport.

1.2.3 Awana's Motto

"Awana is our Home and we are all in the Family". With that *MOTTO* "We" must develop and implement effective service programs in achieving the Awana's Mission Statement "*WHERE DREAMS COME TRUE*".